



Rural Iowa Independent Telephone Association
100 Court Avenue, Suite 218, Des Moines, Iowa 50309

June 22, 2012

Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

**Re: WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC
Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No.
03-109, WT Docket No. 10-208
Notice of *Ex Parte* Presentation**

Dear Ms. Dortch:

On June 20, 2012, representatives of the Rural Iowa Independent Telephone Association—David Byers of Northeast Iowa Telephone Company, Sharon Huck of RTC Communications, Debra Lucht of Minburn Communications, Heath Mallory and Pat Rogers of Western Iowa Telephone Association, (collectively, the “RIITA Representatives”) and John Kuykendall of John Staurulakis, Inc. met separately with Priscilla Argeris, Wireline Legal Advisor to Commissioner Jessica Rosenworcel, with Christine Kurth, Policy Director and Wireline Counsel to Commissioner Robert McDowell, with Commissioner Ajit Pai and Nicholas Degani, Legal Advisor to Commissioner Pai, and with Amy Bender, Dan Ball, Travis Litman, Paul Hartman, Trent Harkrader, Athula Gunaratne and Michelle Dominigue of the Wireline Competition Bureau. Andy Randol of Panora Communications Cooperative also joined the RIITA Representatives for the meetings with Priscilla Argeris and with Christine Kurth. Discussions at the foregoing meetings focused on the impacts of USF reforms that will begin July 1 and those pending in the Further Notice of Proposed Rulemaking.¹ Attached is a copy of the discussion points provided to meeting participants.

¹ *Connect America Fund*, WC Docket No. 10-90, *A National Broadband Plan for Our Future*, GN Docket No. 09-51, *Establishing Just and Reasonable Rates for Local Exchange Carriers*, WC Docket No. 07-135, *High-Cost Universal Service Support*, WC Docket No. 05-337, *Developing an Unified Intercarrier Compensation Regime*, CC Docket No. 01-92, *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Lifeline and Link-Up*, WC Docket No. 03-109, *Universal Service – Mobility Fund*, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (rel. Nov. 18, 2011) (“*USF-ICC Order and FNPRM*”).



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The RIITA representatives expressed support for US Department of Agriculture (“USDA”) and Rural Utilities Service (“RUS”) assertions that the USF reforms directly impact the ability of RUS borrowers to repay outstanding loans, and that the waiver standard for relief should be modified.² RIITA recommends that the waiver process be modified from the standard for relief that is tied to a potential default on an obligation to any lender.

The RIITA Representatives explained the ongoing climate of uncertainty due to FCC reforms and the chilling effect it is having on new investments necessary for broadband deployment in rural areas. The combined effect of continuing uncertainty and decreased revenues will negatively impact wireline broadband deployment in rural areas, public safety and rural economic development and exacerbate the digital divide between urban and rural areas. Another unintended consequence of this uncertainty negatively impacts the ability of rural rate-of-return carriers to provide the necessary bandwidth to support wireless 4G networks.

Please contact the undersigned with any questions.

Respectfully submitted,

/s/ Debra Lucht
Debra Lucht
General Manager
Minburn Communications

On behalf of

Rural Iowa Independent Telephone Association

cc: Priscilla Argeris
Christine Kurth
Commissioner Ajit Pai
Nicholas Degani
Amy Bender
Daniel Ball
Travis Litman
Paul Hartman
Trent Harkrader
Athula Gunaratne
Michelle Dominigue

Attachment

² See attached Letter from Jonathan Adelstein, RUS Administrator, to Ms. Marlene Dortch, FCC Secretary, WC Docket 10-90 *et al.* (filed May 31, 2012).



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FCC Ex Parte Meetings – June 20-21, 2012

- **RIITA supports May 31, 2012 letter from USDA/RUS (copy attached).**
 - “Changes to the federal USF and ICC can have a direct impact on the ability of existing RUS borrowers to repay their outstanding loans and complete the construction of wireline broadband systems.”
 - USDA/RUS recommends waiver process be modified to tie the standard for relief to a default on an obligation to government, not the loss of voice service.
 - ✓ Because the changes can also have a direct impact on ability of borrowers from other lenders to repay their outstanding loans, RIITA recommends that the waiver process be modified to tie the standard for relief to a potential default on an obligation to any lender.

- **The FCC’s reforms have heightened the climate of uncertainty and have placed a chilling effect on new investments which are necessary to deploy broadband in rural areas.**
 - Ability to plan future investments is now under cloud of uncertainty because investments made this year to expand networks may be limited in subsequent years depending on what other carriers decide.
 - The elimination of Safety Net Additive support has sent a powerful signal that companies that prudently invested in the network infrastructure will be penalized.
 - Retroactive application of newly adopted rules to investments made in previous periods has added to this climate of uncertainty.

- **The shift of cost recovery to the rural customers will burden consumers and result in further loss of access lines.**
 - This will accelerate the rate at which customers are moving to other networks which will decrease revenues coming from consumers.
 - The combined effect of the uncertainty and decreased revenues created by the reforms will most certainly negatively impact many areas including wireline and wireless broadband deployment in rural areas, public safety and rural economic development.
 - ✓ As observed in the USDA/RUS letter, systems operated by rural telecommunications providers “provide backhaul needed to facilitate wireless 4G deployment in rural areas, which are also critical to public safety. Robust broadband networks are essential to the future of rural economic development and the viability of rural communities.”



**United States Department of Agriculture
Rural Development**

May 31, 2012

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20544

Notice of Oral Ex Parte Contact

Re: *Rural Utilities Service* notice of oral *ex parte* contact involving the proceedings captioned: *In the Matter(s) of the Connect America Fund*, WC Docket No. 10-90, *National Broadband Plan for Our Future*, GN Docket No. 09- 51, *Establishing Just and Reasonable Rates for Local Exchange Carriers*, WC Docket No. 07-135, *High-Cost Universal Service Support*, WC Docket No. 05-337, *Developing an Unified Intercarrier Compensation Regime*, CC Docket No. 01-92, *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Lifeline and Link-Up*, WC Docket No. 03-109, *In the Matter of Universal Service Reform Mobility Fund*, WT Docket No. 10-208.

Dear Secretary Dortch:

On Tuesday, May 29, 2012, the Honorable Tom Vilsack, the Secretary of the Department of Agriculture (USDA), Lindsay Daschle, Senior Advisor to the Secretary, and I met with the Honorable Julius Genochowski, the Chairman of the Federal Communications Commission (FCC), Zac Katz, Chief of Staff to the Chairman, and Michael Steffen, Advisor to the Chairman, for a discussion about the importance of broadband to the rural quality of life.

The Secretary expressed appreciation for the Chairman serving on the Rural Council, his openness to hearing rural concerns, and specifically his willingness to consider USDA's perspective on the impact of the FCC's reform of the Federal Universal Service Fund (USF) and inter-carrier compensation (ICC) rules on rural providers and their consumers. The Secretary and I discussed the long, successful history of the cooperative efforts between the USDA, RUS and the FCC to improve rural telecommunications service. The Secretary expressed an interest in building on existing coordination efforts through continued dialogue, data sharing and outreach to maximize the benefits of USF and ICC reforms for rural consumers. The goal is to promote the mutual commitment of both agencies to deliver on the President's goal of closing the digital divide.

1400 Independence Ave, S.W. · Washington DC 20250-0700
Web: <http://www.rurdev.usda.gov>

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."
To file a complaint of discrimination, write USDA, Director, Office of Civil Rights,
1400 Independence Avenue, S.W., Washington, DC 20250-9410 or call (800) 795-3272 (Voice) or (202) 720-6382 (TDD).

The USDA has policy, planning and lending responsibilities in all of rural America, including areas served by telecommunications providers that do not participate in USDA/RUS telecommunications loan and grant programs. USDA also has an institutional interest in the FCC reform efforts. Changes to the federal USF and ICC can have a direct impact on the ability of existing RUS borrowers to repay their outstanding loans and complete the construction of wireline broadband systems. These systems provide backhaul needed to facilitate wireless 4G deployment in rural areas, which are also critical to public safety. Robust broadband networks are essential to the future of rural economic development and the vitality of rural communities.

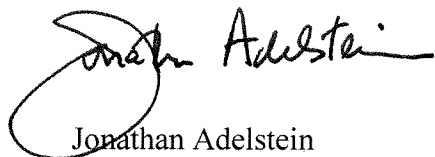
The Secretary noted that the RUS makes loans to finance the construction and upgrade of high capacity broadband networks whose terms can exceed 20 years. He noted these investments were made under then-current rules with the understanding that the revenues would be necessary to recover costs and repay loans to lenders including RUS. He noted that consumers and lenders need certainty and predictability in their investment horizon. The Secretary noted that the regression analysis model can affect long term revenues and USF predictability.

The Administrator noted that RUS only finances capital infrastructure, and that every RUS loan and grant dollar is scrutinized by program and field staff, and that each dollar spent in the RUS program is tied to specific purchases that are audited. RUS does not tolerate waste, fraud or abuse, ensuring that dollars are prudently spent.

The Secretary suggested that the waiver process could be improved by incorporating key elements of the "safety net" process, which was suggested in the October 11th filing by the RUS Administrator which recommends *inter alia* that the standard for relief should be tied to a default on an obligation to government, not the loss of voice service.

The Secretary underscored the need for USDA and the FCC to continue to work together to address the communications needs of rural America. That way, the partnership that has succeeded for so long in facilitating the build-out of state-of-the-art rural telecommunications networks can continue successfully into the future.

Sincerely,

A handwritten signature in black ink, appearing to read "Jonathan Adelstein". The signature is fluid and cursive, with a large loop at the beginning.

Jonathan Adelstein
Administrator
Rural Utilities Service